

Management report to Council

Agenda Item 6.2

Regent Management Company Pty Ltd: trading results to 30 June 2016

Council

Presenter: Phu Nguyen, Chief Financial Officer

27 September 2016

Purpose and background

1. The purpose of this report is to inform the Council of the financial performance for the year ended 30 June 2016 of Regent Management Company Pty Ltd (the Company). Good governance practice dictates that an organisation monitors performance of all entities in which they hold an equity interest.
2. The Company was incorporated under the then *Corporations Law* in April 1994. The Company was established pursuant to ministerial consent under section 193 of the *Local Government Act 1989*.
3. The Company's shares are held equally by the Council and the Victorian Government.
4. The Company was incorporated to oversee the reconstruction of the Regent Theatre, operate as landlord of the Regent Theatre and to enter into a refurbishment agreement for the restoration and lease of the theatre. The refurbishment has been completed and the Company operates solely as landlord of the Regent Theatre.

Key issues

5. The Company reported an operating loss of \$261,040 for the year ended 30 June 2016. This loss was mainly due to depreciation of buildings and equipment of \$422,841
6. Whilst the Company is reporting an operating loss for the year due mainly to depreciation, it remains in a solid financial position and experienced an operating cash inflow of \$159,622.

Recommendation from management

7. That Council notes the trading results of the Regent Management Company Pty Ltd for the financial year ended 30 June 2016.

Attachments:

1. Supporting Attachment (page 2 of 22)
2. Regent Management Company Pty Ltd - Financial Performance Results to 30 June 2016 (page 3 of 22)
3. Financial Statements Regent Management Company Pty Ltd 30 June 2016 and VAGO Audit Opinion (page 4 of 22)

Supporting Attachment

Legal

1. There are no direct legal issues arising from the recommendation in this report.

Caretaker Policy

2. Regent Management Company Pty Ltd: trading results to 30 June 2016 is neither a major policy decision nor a significant decision for the purposes of the caretaker policy.

Finance

3. There are no direct financial implications arising from the report.
4. While current maintenance and repairs are being undertaken by the tenant to ensure the building is kept to a high standard, at some point in the longer term additional funds may be required to meet asset management requirements. No immediate or medium term requirements are expected.

Conflict of interest

5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

6. Consultation with Mutual Trust Pty Ltd as accountants for the Company has been undertaken in preparation of this report.

Environmental sustainability

7. There is no significant impact on environmental sustainability associated with the recommendation in this report.

Regent Management Company Pty Ltd – Financial Performance Results to 30 June 2016

Financial Statements

1. The annual accounts for the year ended 30 June 2016 (refer Attachment 3) received an unqualified audit report from the Victorian Auditor General's Office.
2. The Company reported an operating loss of \$261,040 for the year ended 30 June 2016. This loss was mainly due to depreciation of buildings and equipment of \$422,841.
3. The Company's operating cash flow for the year was a positive increase in cash of \$159,622. Despite the retained loss at year-end, the Company is still a viable business due to its positive cash flow and the long term lease in place with the operator over the Regent Theatre.
4. Net assets amounted to \$16.0 million at 30 June 2016, a decrease of \$0.3 million over the last financial year. This decrease was due to the operating loss.
5. Total equity at year-end of \$16.0 million is made up of \$25.7 million of issued capital and reserves of \$9.8 million offset by accumulated losses of \$19.5 million. The accumulated losses are largely the result of building depreciation over the years.

Dividends

6. Consistent with previous years, due to the retained losses incurred, the Board has neither declared nor paid any dividends from retained earnings for the year ended 30 June 2016.

Directors

7. The Board consists of one Council appointed director and one State Government appointed director, an alternate director is also appointed by each organisation. There are no fees paid to directors.
8. Ben Rimmer, Council's Chief Executive Officer, is the Council's appointed director and Greg Stevens, Manager Property Services is Council's alternate director.

Audit Issues

9. The Victorian Auditor General's Office has completed the audit of the accounts for the year ended 30 June 2016. There are no matters arising from the financial audit for the year.

REGENT MANAGEMENT COMPANY PTY LIMITED
A.C.N. 062 841 043

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

REGENT MANAGEMENT COMPANY PTY LIMITED

**FINANCIAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2016**

CONTENTS

Directors' Declaration	1
Statement of Comprehensive Income	2
Balance Sheet	3
Statement of Changes in Equity	4
Cash Flow Statement	5
Notes to the Financial Statements	6
Audit Report	16

REGENT MANAGEMENT COMPANY PTY LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30TH JUNE 2016

In the opinion of the directors of Regent Management Company Pty Ltd:

- a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 23 day of August, 2016.

Signed in accordance with a resolution of the directors:



Mark Turnbull
Director



Greg Stevens
Director

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
Revenue from operations	2	217,601	219,725
Depreciation	6	(422,841)	(391,789)
Other expenses	2	<u>(55,800)</u>	<u>(24,739)</u>
Profit/(loss) for the year		<u>(261,040)</u>	<u>(196,803)</u>
Other Comprehensive income for the year			
Net gain/(loss) on revaluation of non current assets	6	<u>-</u>	<u>604,866</u>
Total comprehensive income for the year		<u>-</u>	<u>604,866</u>
Total comprehensive income/(loss) attributable to members		<u>(261,040)</u>	<u>408,063</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

BALANCE SHEET
AS AT 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	297,924	333,668
Trade and other receivables	4	15,176	12,730
Investments	5	2,535,507	2,340,140
TOTAL CURRENT ASSETS		<u>2,848,607</u>	<u>2,686,538</u>
NON CURRENT ASSETS			
Property, plant and equipment	6	13,629,955	14,052,797
TOTAL NON CURRENT ASSETS		<u>13,629,955</u>	<u>14,052,797</u>
TOTAL ASSETS		<u>16,478,562</u>	<u>16,739,335</u>
CURRENT LIABILITIES			
Trade and other payables	7	12,530	12,344
TOTAL CURRENT LIABILITIES		<u>12,530</u>	<u>12,344</u>
NON CURRENT LIABILITIES			
Trade and other payables	7	423,248	423,167
TOTAL NON CURRENT LIABILITIES		<u>423,248</u>	<u>423,167</u>
TOTAL LIABILITIES		<u>435,778</u>	<u>435,511</u>
NET ASSETS		<u>16,042,784</u>	<u>16,303,824</u>
EQUITY			
Contributed equity	9	25,731,000	25,731,000
Asset Revaluation Reserve		9,834,262	9,834,262
Accumulated losses	8	(19,522,478)	(19,261,438)
TOTAL EQUITY		<u>16,042,784</u>	<u>16,303,824</u>

REGENT MANAGEMENT COMPANY PTY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	<u>Issued Capital</u>			Total
		Ordinary	Retained Earnings	Asset Revaluation Reserve	
BALANCE AT 30 JUNE 2014		25,731,000	(19,064,635)	9,229,396	15,895,761
Profit/(loss) for the year	8	-	(196,803)	-	(196,803)
Revaluation increment (decrement)	6	-	-	604,866	604,866
BALANCE AT 30 JUNE 2015		25,731,000	(19,261,438)	9,834,262	16,303,824
Profit/(loss) for the year	8	-	(261,040)	-	(261,040)
BALANCE AT 30 JUNE 2016		25,731,000	(19,522,478)	9,834,262	16,042,784

REGENT MANAGEMENT COMPANY PTY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$ Inflows (Outflows)	2015 \$ Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and other income		229,770	234,888
Payments to suppliers		(70,148)	(37,585)
Net cash (outflow) / inflow from operating activities	11(b)	<u>159,622</u>	<u>197,302</u>
CASH FLOW FROM FINANCING ACTIVITIES			
		<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for investments	11(c)	<u>(195,367)</u>	<u>(360,492)</u>
Net increase in cash held		(35,744)	(163,190)
Cash at beginning of financial year		333,668	496,858
Cash at end of financial year	11(a)	<u><u>297,924</u></u>	<u><u>333,668</u></u>

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Local Government Act 1989, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for the entity Regent Management Company Pty Ltd as an individual entity. Regent Management Company Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Statement of Compliance

Compliance with AIFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). The financial report complies with Australian Accounting Standards.

The financial report is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

These annual financial statements were authorised for issue by the Directors of the company on 22 August 2016.

a) Property, Plant, and Equipment

Property, Plant and Equipment

Property, plant and equipment are carried at cost or at independent valuation less, where applicable, any accumulated depreciation and impairment losses. The company currently measures land and buildings at independent valuation performed by Mr Adam Wallace AAPI, Certified Practising Valuer, AssetVal Pty Ltd. Plant and equipment are held at cost.

Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a diminishing value method, over their useful lives to the company commencing from the time the asset is held ready for use. The depreciable amount of all buildings is depreciated on a prime cost basis, over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for plant and equipment range from 10% to 40%. The depreciation rate used for property ranges from 2.5% to 5%. No change in depreciation rates has occurred during the financial year.

Impairment of Assets

All assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Income Tax

The company is exempt from income tax by virtue of Section 50-25 of the Income Tax Assessment Act 1997.

c) Cash and Cash Equivalents

For purposes of the report of cash flows, cash includes deposits at call with banks or financial institutions, investments in money market instruments maturing within three months, net of bank overdrafts.

Investments that mature more than three months after reporting date are classified separately.

d) Trade and Other Receivables

Interest receivable is recorded up to 30 June 2016 on the term deposit which matures on the 17 October 2016.

e) Trade and Other Payables

Payables represent liabilities for goods and services provided to Regent Management Company Pty Ltd prior to the end of the financial period that are unpaid.

f) Contributed Equity

Contributed equity is made up of Class A and Class B shares. Class A shares are owned by the Melbourne City Council and Class B shares are owned by the Victorian State Government.

g) Revenue Recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rent revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

h) Expenses from Transactions

Expenses from transactions are recognised as they are incurred and reported in the financial year in which they relate.

i) Events occurring after reporting date

To our knowledge there is no matter occurring after balance day which affects the information provided in the financial statements.

j) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

REGENT MANAGEMENT COMPANY PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Risk Management

The company's activities expose it to a variety of risks including interest rate and other price risks. The company does not deal in any foreign currency and therefore has no exposure to foreign currency risk.

The company's overall risk management programme focuses on creating a natural hedge within the company. The company's experience in the past has been to mirror its exposure to risk to economic cycles and has always felt that this approach is appropriate for the company.

Risk management is the responsibility of the finance team under policies approved by the Board of Directors. The Board meet half yearly to discuss issues within the company and determine the best policies to assist with financial risk mitigation.

The company considers that the above approach is appropriate given the business model that it operates under. The Board feels that it is able to respond to risk mitigation issues in a timely and adequate manner.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS		
The specific operating revenues for the year are made up as follows:		
Interest revenue	72,273	75,899
Rent received	145,329	143,826
	217,601	219,725
Profit for the year includes the following specific expenses:		
Accountancy Expenses	22,250	17,000
Auditing Expenses (Victorian Auditor-General's Office)	6,000	6,045
Bank Fees and Taxes	70	70
Filing Fees	246	243
Insurance	1,381	1,381
Legal Fees	25,853	-
	55,800	24,739
NOTE 3 – CASH AND CASH EQUIVALENTS		
Cash at Bank	297,924	333,668
	297,924	333,668
NOTE 4 – TRADE AND OTHER RECEIVABLES		
Interest receivable	15,176	12,730
NOTE 5 - INVESTMENTS		
Term Deposit	2,535,507	2,340,140

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
NOTE 6 – PROPERTY, PLANT AND EQUIPMENT		
Land - at independent valuation	<u>10,620,000</u>	<u>10,620,000</u>
Buildings - at independent valuation	3,380,000	3,380,000
Accumulated depreciation - Buildings	(417,449)	(2,279)
	<u>2,962,551</u>	<u>3,377,721</u>
Plant & Equipment - at cost	4,396,050	4,396,050
Accumulated depreciation - Plant & Equipment	(4,348,646)	(4,340,974)
	<u>47,404</u>	<u>55,076</u>
Total Property, Plant and Equipment	<u><u>13,629,955</u></u>	<u><u>14,052,797</u></u>

A revaluation of land and buildings was performed as at 29 June, 2015 on the basis of fair value. In accordance with this review an adjustment to the valuation as at 29 June 2015 was required. The valuation was performed by Mr Beau Jarvis, Valuer, City of Melbourne.

Reconciliation of Carrying Amount	2016		2016	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	10,620,000	3,377,721	55,075	14,052,797
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(415,170)	(7,672)	(422,841)
Revaluation Increments/(Decrements)	-	-	-	-
Balance at end of period	<u><u>10,620,000</u></u>	<u><u>2,962,551</u></u>	<u><u>47,403</u></u>	<u><u>13,629,955</u></u>

Reconciliation of Carrying Amount	2015		2015	
	Land \$	Buildings \$	Equipment \$	Total \$
Balance at beginning of period	8,800,000	4,975,529	64,192	13,839,721
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(382,674)	(9,115)	(391,789)
Revaluation Increments/(Decrements)	1,820,000	(1,215,134)	-	604,866
Balance at end of period	<u><u>10,620,000</u></u>	<u><u>3,377,721</u></u>	<u><u>55,075</u></u>	<u><u>14,052,797</u></u>

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
NOTE 7 - TRADE AND OTHER PAYABLES		
Current		
Accounts Payable	10,884	9,900
GST Payable	1,646	2,444
	12,530	12,344
Non Current		
Amount due to tenant - Sinking Fund	145,471	145,401
Amount held in trust		
Repairs and Maintenance Account	27,777	27,766
Income in Advance	250,000	250,000
	423,248	423,167

In accordance with clause 11.9 to 11.22 of the Regent Management Theatre Lease Agreement and clause 4 of the Variation Agreement, the Repairs and Maintenance and Sinking Fund accounts were set up with the intention of paying any repairs and maintenance for which the tenant is responsible for under lease or for which the tenant fails to undertake in breach of their obligations.

In accordance with the original Lease Agreement, rent was payable at \$250,000 per annum. The first year's rent was paid in advance and remains on the balance sheet thereon.

NOTE 8 – ACCUMULATED LOSSES

Accumulated Losses at the beginning of the Financial Year	(19,261,438)	(19,064,635)
Net profit/(loss) from operations	(261,040)	(196,803)
Accumulated Losses at the end of the Financial Year	(19,522,478)	(19,261,438)

NOTE 9 – CONTRIBUTED EQUITY

Paid up capital		
12,865,500 "A" class ordinary shares	1 f)	12,865,500
12,865,500 "B" class ordinary shares	1 f)	12,865,500
		25,731,000
		25,731,000

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

	2016	2015
	\$	\$

NOTE 10 – RELATED PARTY TRANSACTIONS

(a) The names of the directors who held office during the period are:-

S. Sweeney
 B. Rimmer
 M. Turnbull (alternate)
 G. Stevens (alternate)

(b) The directors do not receive any form of remuneration from the company.

NOTE 11 – CASH FLOW INFORMATION

a) Reconciliation of Cash

Cash at the end of the financial year as shown in

Cash at Bank	297,924	333,668
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b) Reconciliation of Cash flow from operations with

Profit / (Loss)	(261,040)	(196,803)
Depreciation non-cash flows in profit/(loss)	422,841	391,789
(Increase)/Decrease in receivables	(2,446)	768
Increase (Decrease) in trade creditors and accruals	267	1,548
	159,622	197,302

c) Investments at the end of the financial year as shown in

Term Deposits	2,535,507	2,340,140
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NOTE 12 – CAPITAL COMMITMENTS

The company has not contracted for any capital expenditure on building and related equipment for delivery after balance date.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

NOTE 13 – FINANCIAL INSTRUMENTS

a) Market Risk

The following methods and assumptions are used to determine the net fair values of the financial assets and liability.

Cash and cash equivalents

The carrying amount approximates fair value because of their short term to maturity.

Short term deposits and other financial assets and liabilities

Financial assets and liabilities are recorded at cost and are readily traded on organised markets in a standardised form.

Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate %	Floating Interest Rate *	Fixed Interest Rate Maturities 1 year or less	Non Interest Bearing	2016 Total	2015 Total
		\$	\$	\$	\$	\$
Assets						
Cash	0.05%	124,676	-	173,249	297,924	333,668
Short Term deposits	2.94%	-	2,535,507	-	2,535,507	2,340,140
Accounts Receivable - Current		-	-	15,176	15,176	12,730
Total Financial Assets		124,676	2,535,507	188,425	2,848,608	2,686,538
Liabilities						
Accounts Payable - Current		-	-	12,530	12,530	12,344
Accounts Payable - Non Current		-	-	423,248	423,248	423,167
Total Financial Liabilities		-	-	435,778	435,778	435,511
Net Financial Assets		124,676	2,535,507	(247,353)	2,412,829	2,251,027

Interest Rate Risk Sensitivity Analysis

This table illustrates the effect on profit and equity at 30 June 2016 if interest rates increase by 1% on cash held on deposit with all other variables remaining constant.

Cash held on deposit

	2016	2015
Change in Profit		
- Increase in interest rate*	25,744	23,797
- Decrease in interest rate*	(24,645)	(22,267)
Change in equity		
- Increase in interest rate*	25,744	23,797
- Decrease in interest rate*	(24,645)	(22,267)

* Rates are adjusted by 1% on Cash held on deposits

An increase in interest rates will have a positive impact on profits given there are no borrowings within the business.

The board believe that the sensitivity applied to the bank rate on cash held in deposit is appropriate given its level of investment in cash and the current weighted average weight of interest charged.

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

NOTE 14 – FINANCIAL INSTRUMENTS (continued)**Foreign Exchange Risk**

The entity does not deal in foreign exchange therefore is not exposed to any foreign exchange risk.

b) Credit Risk

The maximum exposure to credit risk, excluding the fair value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, as disclosed in the balance sheet and note to the financial report.

The company does not have any material credit risk exposure to any single debtor under financial instruments entered into by the company.

c) Liquidity Risk

The amount included for creditors approximate their fair value. There is no exposure to interest rate fluctuations or other price adjustments given the amounts are fixed payments. This excludes the Sinking Fund and Repairs and Maintenance account, however the movements in these accounts are not taken to profit and loss due to their nature and are therefore also not exposed to interest rate fluctuations or other price adjustments.

The table below lists the contractual maturities for financial liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted cash flows	Carrying Amount
Trade and other payables	12,530	-	-	-	423,248	-	435,778
	<u>12,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,248</u>	<u>-</u>	<u>435,778</u>

d) Net Fair Values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

	2016		2015	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Assets				
Cash and Cash Equivalents	297,924	297,924	333,668	333,668
Short term deposits	2,535,507	2,535,507	2,340,140	2,340,140
Accounts Receivable - Current	15,176	15,176	12,730	12,730
Total Financial Assets	<u>2,848,608</u>	<u>2,848,608</u>	<u>2,686,538</u>	<u>2,686,538</u>
Liabilities				
Accounts Payable - Current	12,530	12,530	12,344	12,344
Accounts Payable - Non Current	423,248	423,248	423,167	423,167
Total Financial Liabilities	<u>435,778</u>	<u>435,778</u>	<u>435,511</u>	<u>435,511</u>

REGENT MANAGEMENT COMPANY PTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2016

NOTE 15 – INDEMNITY

If requested to do so by the Company, the City of Melbourne and the State Government of Victoria shall jointly and severally indemnify the Company against any liability, loss, cost, charge or expense incurred or suffered by the Company arising from or relating to any act, omission, matter or thing arising from or relating to –

- a) The carrying out of any object set out in the Memorandum of Association of the Company's or
- b) Any activity contemplated by any of those objects.

NOTE 16 – OPERATING LEASE RECEIVABLE

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2016 \$	2015 \$
Receivable		
- not later than 12 months	150,447	147,997
- between 12 months and 5 years	601,789	591,989
- greater than 5 years	6,050,895	6,295,994
	<u>6,803,132</u>	<u>7,035,980</u>

The current lease was entered into on 17 September 1996 and is for a term of 50 years.

NOTE 17 – CONTINGENT LIABILITY

The company has an obligation to pay the holding costs of the theatre land and buildings owned by the company. These holding costs are payable in the first instance by a tenant under a commercial lease entered into by the company. The company's obligation only arises if the tenant fails to comply with the terms of the lease.

INDEPENDENT AUDITOR'S REPORT

To the Directors of Regent Management Company Pty Ltd

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Regent Management Company Pty Ltd which comprises statement of comprehensive operating, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

The Directors' Responsibility for the Financial Report

The Directors of Regent Management Company Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

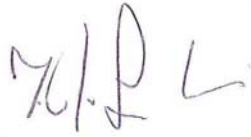
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*, Australian Auditing Standards and relevant ethical pronouncements. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of Regent Management Company Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance for the year ended on that date
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

MELBOURNE
25 August 2016


Dr Peter Frost
Acting Auditor-General